



## **MEDIA ADVISORY**

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**Contact:** Steve Kozachik  
Ward 6 Council Office  
520-791-4601

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### **Tucson Convention Center – Renovations Long Overdue**

Rio Nuevo will go down as the largest financial mistake in Tucson's history. There is plenty of blame to go around for the mismanagement that resulted in more than \$200 million of taxpayer funds being spent over the past 12 years. Both the City of Tucson and the past Rio Nuevo Board had a hand in the decisions made relative to how your money was spent. Auditors are scouring the books and the FBI is looking at possible criminal misdeeds. We, the taxpayers, do not want to face the same situation again, with significant money spent and no action taken.

I am committed to making sure that does not happen again. In September, 2009 I asked both the City and the Rio Nuevo Board to stop the development of the East Entrance of the TCC and the designs for the now defunct Convention Hotel. They didn't listen. I asked that instead the money go to the needed renovations of the Convention Center. Two years later and with more than \$15 million spent, we as taxpayers have a still-unfinished entrance to a Convention Center that has nearly \$40 million of needed improvements to the interior of the building still waiting to be addressed. Action needs to be taken now or we will become just another chapter in the mismanagement of taxpayer dollars.

#### **Leadership Position– THE TUCSON CITY COUNCIL AND RECONSTITUTED RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT BOARD MUST SHOW PROGRESS TOGETHER ON MAINTENANCE AND UPGRADES AT THE TUCSON CONVENTION CENTER**

Over the past several months I have engaged members of the Rio Nuevo Board both personally, and in their Call to the Audience, in an effort to enlist their support for funding facility upgrades to the Primary Component of the District, the Tucson Convention Center. At numerous City Council study sessions we have discussed the need to make progress in renovations and repairs to that facility.

Since the new Rio Nuevo Board was appointed in March 2010, the City has invested in excess of \$6M in capital repairs to the Convention Center. Despite the existence of a facility needs list that includes projects such as ADA and other Code compliance issues, as well as needed enhancements noted by critical lease tenants such as the Gem Show, SAHBA and others, the District and the City have failed to sit together and identify priority projects on which we can work jointly. The Rio Nuevo Board voted (6-4) nearly one year ago to spend \$3M in Bond proceeds for this purpose but any progress has been negated by political maneuvering.

It is well past time that these two bodies begin using TIF dollars, and available bond proceeds to demonstrate to taxpayers that we are serious about preserving this community asset.

### **A little history:**

On October 28th, 2010, Crowe Horwath issued its Performance and Financial Analysis of the Rio Nuevo Multipurpose Financial District.

On Page 19 of the report it makes clear that in September, 2001, in order to *"trigger the flow of TIF funds to the District"* the District purchased the TCC and immediately leased it back to the City.

The Board's own resolution at that time stated that *"with its acquisition of the TCC, it would make improvements, renovations, and modifications to enhance its ability to function as a multipurpose facility."*

On Page 28 of the Audit it states *"in 2009 the lease term for the TCC was extended to 2025...starting in 2013 the City is scheduled to pay between \$1.2M and \$1.3M to the District each year until 2025."* However, since the TCC debt will be paid off in 2012 (it has since been extended), *"these payments can be utilized by the District for other expenditures."*

On Page 38 of the Audit it states 'during 2002-2003, the District also instituted modest capital improvements to the TCC costing approximately \$784,000, most notably a new ticket office. The Report goes on to make clear that the project *"did not impact or resolve the deficiencies in exhibition floor space, high-technology conference rooms or nearby hotel rooms, as identified during the District's master planning process."*

From Page 42 of the Audit it is clear that the District has in fact spent TIF dollars on the TCC - *"\$794,000 was spent to move and rebuilt (sic) the TCC Ticket Office and another \$4.608M was spent to design and construct a new TCC East Entrance."*

It is noteworthy that both of those projects pre-dated the appointment of the current Board.

In its Response to the Auditor General's Performance Audit (Crowe Horwath Audit) the Rio Nuevo Board states:

*Finding #5: Develop a short-term strategy for the use of available funds, including remaining bond proceeds and tax increment revenues.*

*District Response: The District Board recognizes that the Audit clearly calls for the residual Bond and COPS proceeds to be utilized for the revitalization of the Primary Component which is the Tucson Convention Center ("TCC"). There are discussions to include an allocation of the remaining 2008 Bond proceeds to the TCC through the Global Settlement IGA. The Reconstituted District Board recognizes it is directed to focus on the TCC before other expenditures."*

In December, 2010, The Rio Nuevo District Board voted 6-4 to support the Settlement Agreement with the City of Tucson, but before the Agreement could be signed, six members of the Arizona State Legislature directed in writing the Rio Nuevo Board to refrain from signing the Settlement Agreement with the City. The City Council unanimously approved the terms of such an Agreement. To date, the Board has still not finalized terms of the Agreement.

### **What needs to be done:**

The Gem Show is a major anchor tenant of the TCC that generates millions of dollars into the local economy each year. The TCC serves as host to a variety of other events that attract new dollars into the local economy and by extension aid us in our annual budget balancing exercise. To the extent that we fail to address needed repairs and upgrades to the TCC, we place in jeopardy our ability to retain those tenants, and to grow the list of events using the facility. Additionally the decline of the TCC will impact the sustainability of Downtown redevelopment.

It is indisputable that the District has funds available to fulfill its own commitment to the State Auditor General with respect to upgrades to the TCC. The Current Rio Nuevo District budget shows \$10.2M in “cash on hand”. The Current 2008 Bond Package revenues available for use are at a minimum \$4M and the current TIF revenues are approximately \$13M annually.

The City has done what it can to demonstrate good faith in finding money (\$6 million) to begin that process. With respect to the budget we have extended ourselves to the maximum and now need the District to work jointly on the remaining items.

Through conversations with several of the Board members, I know that there is interest in doing just that. Through the responses of colleagues on the City Council, and shown by what we have already authorized in terms of capital repairs, I know that there is interest in doing just that at the City level.

The current Rio Nuevo Board was directed by the Auditor General to focus on repairs to the TCC.

The previous Rio Nuevo Board worked with the City and spent TIF money on the TCC.

The current Rio Nuevo Board has acknowledged to the Auditor General it understands that the TCC is to be its primary focus.

The newly appointed Rio Nuevo Board has been seated for nearly 2 years. It has spent hundreds of thousands of dollars on attorney's fees, audits, investigations and studies. Its current budget allocates \$935,400 for administration expenses for this year alone. And yet nothing is done to improve the projects in the District. This is exactly the pattern of past Rio Nuevo mistakes.

The new Board has called for forensic audits of Rio Nuevo projects, and there is an FBI investigation in progress. Those actions should bring the closure to past mismanagement, or worse that the taxpayers deserve to see. It's about accountability. And yet, performing those actions and taking care of the TCC jointly with the City are not mutually exclusive exercises.

The District needs to function as the independent body it was appointed to be. I will undoubtedly be criticized again for “telling them what to do”, but the enabling legislation, the auditor and common sense all point to strategic action to improve the Tucson Convention Center. I know that there are members of the Rio Nuevo Board who share my belief that it is well past time for this Board to show its independence and willingness to do what they are empowered to do. To that end I have previously called for a joint meeting, or formation of a subcommittee that includes members of both the City Council and the Rio Nuevo Board to meet with the specific focus of beginning the repairs identified in the needs list. I continue to believe that some portion of the City Council and Rio Nuevo Board, those who are serious about tackling TCC needs, should meet to expeditiously begin fund allocation for that work.

I will be taking interested parties on a tour of the TCC facility on Thursday, September 15 at 5:00pm. We will meet in front of the TCC East entrance. TCC management will be available and we will provide the TCC needs assessment list. The Rio Nuevo Board meets at 10am Tuesday, September 20. I am hopeful that some of their Board will join me in the walk-through, and that they will see the need to vote to take immediate action during their meeting on the 20<sup>th</sup>.

The Gem Show is right around the corner, we need to get the work started now.

We all need to show the community that more money will not be wasted and that we recognize the importance of demonstrable improvements within the Rio Nuevo District. Results will always trump paying administration and consultants. The taxpayers deserve better.

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